

# **CITY OF MUSCATINE BUDGET OVERVIEW**

**PROPOSED FISCAL YEAR 2021/2022  
GENERAL FUND BUDGET**

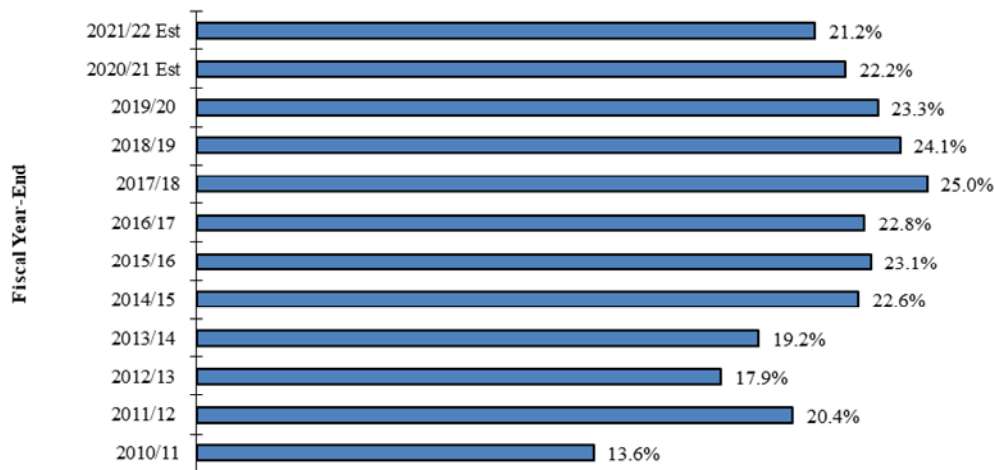
# **Some Good News.....**

- **The proposed 2021/2022 Budget reflects no increase in the overall City tax rate**
- **The proposed rate is \$15.67209/\$1,000 of taxable property valuation**
- **The City has maintained approximately the same rate for the last 12 years**
  - **\$15.77146 in 2010/2011 and 2011/2012**
  - **\$15.67209 in each of the years from 2012/2013 through 2020/2021, and the proposed 2021/2022 budget.**
  - **The proposed budget maintains the Utility Franchise Fee rate at 5%**

# More Good News.....

- The proposed General Fund balance is on target with the updated General Fund Balance Policy which provides that the minimum fund balance be equal to two months of expenditures or 16.7%
- For the last 10 years the actual ending balances as a percent of expenditures are in the following graph. The projected balances at the end of FY 21 and FY 22 are also shown in this graph.
- While the percentage is shown as decreasing, the ending fund balance at the end of FY 22 of \$4,745,443 is approximately the same as the originally budgeted FY 21 fund balance of \$4,742,508.

**Fiscal Year-End General Fund Balances as a Percent of Expenditures**



# Property Valuations

- **Actual Valuations (100%)**
  - Increased by \$43,580,437 (3.00%) including Tax Increment values
  - Increased by \$47,274,077 (3.44%) excluding Tax Increment values
- **Taxable Valuations**
  - Increased in total by \$43,778,897 (4.88%). This is the 2<sup>nd</sup> largest increase in the last 10 years. The average annual increase over the last 10 years is 2.09%.
  - Residential Rollback to 56.4094% compared to 55.0743% (an increase of 2.43%)
  - Residential valuations increased by \$30,334,449 - an increase of 6.02%
  - Commercial Property remained at the 90% rollback. Valuations increased by \$10,373,538 (4.50%).
  - Multi-Residential values are \$27,176,056 which is a decrease of \$1,243,108 (4.37%). The Multi-Residential rollback is 67.50% of actual valuations for FY 22 compared to 71.25% for the current 2020/2021 year. These properties will continue to be rolled back over the next 2 years until the rollback equals the residential rollback.
  - Industrial property remained at the 90% rollback. Industrial valuations increased by \$4,892,407 (3.78%).
  - Railroad and utility valuations also have the 90% rollback – railroad values increased by \$43,891 (4.09%) and utilities decreased by \$716,226 (16.69%)

# Proposed Tax Levy

- General Fund at maximum \$8.10/\$1,000 levy rate
- Tax Rate Changes
  - Tort Liability Levy Increased 6.84%. Most of the City's insurance policies are projected to increase by 10% for 2021/2022. The core city insurance coverages with the Iowa Community Assurance Pool (ICAP) are projected to increase 10% and the member credit will not be given for the upcoming year. The ICAP increase is primarily due to damages from the derecho windstorm and increasing police liability costs.
  - Debt Service Levy Decreased 1.16% to \$2.32232/\$1,000 of valuation. This is the levy needed to fund debt service payments in 2021/2022.
  - Employee Benefits Levy Decreased .35%%. This reflects funding 100% of employee benefits from the General Fund balance and the use of \$169,279 in beginning fund balance in the Employee Benefits fund.
  - Transit Levy Decreased 56.44%. There is a sufficient fund balance in the Transit fund for the local match for capital purchases. CARES Act funds were also received for the Transit operation.
  - Levee Tax Levy not levied for 2018/2019 through 2021/2022 years (the maximum Levee tax levy is \$.06750 /\$1,000).
  - Emergency Levy is proposed to be levied at \$.09008/\$1,000. The maximum Emergency Levy is \$.27/\$1,000 of valuation. This levy was needed to maintain the current General Fund service levels. (Discussed further in a later slide)
  - Again, there is no change in the overall tax rate in the proposed budget.

# Other Tax Levy-Related Information

- As noted previously, the General Fund Property Tax Rate remains at the maximum \$8.10/\$1,000 limit.
- With the 4.88% increase in taxable values, the \$8.10 General Fund tax rate will generate \$354,609 more in tax revenue compared to the 2020/2021 year.
- As part of the 2013 property tax legislation, the budget is based on the State continuing to reimburse local governments for lost tax revenue resulting from the rollback of commercial and industrial property.
- For the General Fund \$8.10 levy, the State reimbursement is estimated at \$316,990 for 2021/2022.
- The State reimbursement, however, has been capped at the 2016/2017 funding level and there is no reimbursement for the Multi-Residential property rollbacks which will continue over the next two years.
- The State reimbursement also applies to the City's other tax levies and the total amount of the State reimbursement is estimated at \$613,3232.

# Proposed General Fund Budget - Expenditure Assumptions

The proposed General Fund budget continues the current service levels provided to residents of the community. Significant budget items and assumptions include the following:

1. The budget includes funding for Police and Fire pension contributions of \$1,615,458. This is a \$148,826 (10.1%) increase from 2020/2021. The increase is due to the contribution rate increasing from 25.31% to 26.18% and increased wages.
2. The budget includes an estimated 2.75% cost of living increase for the police and blue/white union employees, and non-union employees. The increases for the Fire union vary per their contract.
3. Health insurance rates increased by 7.5% effective 1-1-21 and the budget for 2021/2022 allows for the rates to increase by 5% effective 1-1-22. This increase is directly related to the City's claims.
4. In the 2020/2021 revised estimate General Fund FTE staff was decreased by 5.02 FTE's from the original budget.
  - \* Hiring of the four full-time positions (3 firefighters and 1 HR Generalist) added for the 2020/2021 budget were deferred due to the pandemic. One of the firefighter positions is budgeted to begin 4-1-21 which resulted in a reduction of 3.75 FTE for these positions.
  - \* Staffing allocation changes between the parking fund and General Fund (+.26 FTE)
  - \* Part-time reductions in the Library budget (-1.34 FTE) and a reduction in Community Development (-.19 FTE).
5. For the 2021/2022 budget, fulltime equivalent (FTE) staffing in the General Fund is proposed to increase by 3.05 FTE positions compared to the 2020/2021 revised estimate.
  - \* The 2021/2022 budget includes a full year for the added firefighter (+.75 FTE)
  - \* A full year for reallocations of staffing from Parking Fund to the General Fund (+.24 FTE)
  - \* A new Senior Engineer (+1.0 FTE) replacing a portion of the current contracted project manager/inspector
  - \* An increase in part-time hours at the Library (+.87 FTE), and a small increase in Community Development (+.19 FTE).

# **Significant Changes in General Fund Projected Revenues Due to the COVID-19 Pandemic**

**Impacts on General Fund revenues from the COVID-19 pandemic are expected to continue in the 2021/2022 fiscal year. The significant negative impacts on revenues include:**

- 1. Hotel/Motel Taxes – are projected at \$250,000 in the 2020/2021 revised estimate and \$300,000 in the 2021/2022 budget (decreases of \$250,000 and \$200,000 compared to the original budget of \$500,000 for 2020/2021). Continued reduced business travel is anticipated.**
- 2. Building Permits – projected at \$150,000 for both 2020/2021 and 2021/2022 (decreases of \$160,000 each year compared to the original budget for 2020/2021).**
- 3. Interest Revenue – General Fund interest , including Perpetual Care interest that funds Cemetery operations, is expected to be approximately \$50,000 lower in both the Revised Estimate and 2021/2022 due to the near zero percent interest rates since the start of the pandemic.**
- 4. Administrative Fees to Enterprise Funds – (A) General Admin fees to the Parking fund have been reduced by \$12,800 in the Revised Estimate and \$13,500 in the 2021/2022 budget. There has been a significant reduction in Parking revenues since the start of the pandemic, and (B) General and Parks Admin fees to the Golf Course have been reduced by \$28,500 for 2021/2022 to allow for sufficient funds for capital purchases for the Golf fund.**
- 5. Due to Parking revenue reductions – Effective 1-4-21, the 25% allocation of the Office Assistant is budgeted to be moved to the General Fund (Finance department). The 50% allocation of the Parks Groundskeeper is budgeted to be reduced to 25% with these costs added to the General Fund (Park Maintenance budget). This will result in \$38,000 in additional costs to the General Fund in 2021/2022 and \$17,600 of additional costs to the General Fund in the 2020/2021 Revised Estimate.**



# Balancing the General Fund

With the expenditure assumptions and revenues expected to continue to be impacted by the COVID-19 pandemic, there were challenges in balancing the General Fund budget. Following are the most significant items that were used to balance the proposed budget:

1. The 4.88% increase in taxable valuations for 2021/2022 provided \$354,609 more in property tax revenues from the \$8.10/\$1,000 valuation General Fund levy.
2. The proposed budget continues to defer hiring of two of the three firefighter positions that were added in the original 2020/2021 budget (\$153,800). The proposed budget also continues to defer hiring of the HR General position added in the original budget (\$76,300).
3. In October of 2020, the City received \$561,628 in COVID-19 Local Government Relief funds from the State. These funds were credited to the Emergency Tax fund which had a balance of \$84,989, which brought the total in that fund to \$646,617. The proposed budget is based on transferring \$100,000 of those funds to the General Fund in the current fiscal year and \$300,000 in the 2021/2022 fiscal year. This will leave a balance of approximately \$246,700 in that fund for 2022/2023 or future years.
4. The transfers from the Ambulance Fund to the General Fund for fire staffing were increased by \$100,000 for both the 2020/2021 revised estimate and the 2021/2022 budget. Additional Ambulance funds were available due to increased GEMT revenues to the Ambulance fund.
5. The 2021/2022 proposed budget includes levying \$85,000 from the Emergency tax levy. These funds are to be used in the General Fund. This levy was added without increasing the City's total tax levy by reducing the Transit Tax levy. Transit received a significant amount of CARES funding that allowed for the Transit levy to be decreased for 2021/2022.

# Proposed General Fund Budget

- **Proposed General Fund Expenditures and funding transfers for 2021/2022 are \$768,887 (3.7%) higher than the expenditures and transfers out in the 2020/2021 budget.**
- **Proposed General Fund Revenues and Other Sources (including all transfers in with the exception of the \$300,000 transfer from the Local Government COVID Relief funds) increased by \$382,918 (2.2%) compared to the prior year.**
- **The proposed 2021/2022 budget is truly “balanced” with budgeted revenues, (including the \$300,000 in Local Government COVID Relief funds), approximately \$18,000 more than budgeted expenditures. The fund balance was not used to fund any operating expenditures in the proposed budget for 2021/2022.**
- **The ending balance is 21.2% of General Fund expenditures which more than meets the minimum fund balance of 16.7% in the City’s policy. Per the policy, funds in excess of the minimum can be used for one-time expenditures (capital items) but should not be used for operating expenditures. In prior years the City made several one-time capital budget allocations from the fund balance (fire engine, financial software, and an ambulance). No one-time capital allocations were included in the 2020/2021 budget or the 2021/2022 proposed budget.**

# **Proposed General Fund Budget - Other Assumptions**

- 1. For 2020/2021 TIF funds will continue to be used to fund City economic development administrative and marketing costs (\$170,400) as well as economic development efforts of the Chamber (GMCCI) (proposed at \$43,000).**
- 2. The proposed budget continues subsidies to outside agencies. Subsidies to GMCCI, Senior Resources, and the Humane Society are shown at their current levels in the proposed budget.**
  - \* The Humane Society did not request an increase from their current \$80,000 subsidy.**
  - \* Senior Resources requested a \$5,000 increase from \$25,000 to \$30,000.**
  - \* The Chamber (GMCCI) requested a \$40,000 increase from \$43,000 to \$83,000.**
  - \* MCSA requested their Homeless Prevention allocation be maintained at \$25,000 .**
  - \* There is a new request from the Vision 20/20 Board for a 2-year funding commitment totaling \$60,000 with \$30,000 each year for the next 2 years.**

**As per past practice, the proposed budget does not reflect any requested increases in funding or any new subsidy requests.**

- 3. The budget provides funding to the CVB at \$125,000 for 2020/2021 and 2021/2022 per the recent agreement between the City and GMCCI. These payments will be from the CVB enterprise fund. The City will continue transferring 25% of actual prior year hotel/motel tax revenue to that fund (estimated at \$99,600 in the revised estimate and \$62,500 in 2021/2022).**
- 4. The budget continues funding contributions to the Equipment Replacement Fund and Computer Replacement Fund equivalent to the needs for 2021/2022 and future years.**

# **Proposed General Fund Budget - Other Assumptions (Cont.)**

- 5. The 2021/2022 budget continues the increased funding in the Information Technology (IT) budget. This increased level of funding is directly related to enhancing the security and improving the City's computer systems in an effort to reduce the risks for future ransomware or related attacks. The proposed budget, however, does not include the request for \$56,500 for SIEM with fully staffed MSSP (fully staffed outside security operations center with 24 x 7 x 365 monitoring). This is an annual cost and may be considered in future budgets.**
- 6. The proposed budget is based on positioning the City to address economic challenges, maintain existing levels of the services to the community, and positioning the City to meet continuing or new challenges.**

# Budget Proposal Summary

The budget submitted for Council consideration is proposed as a budget to find a balance between:

- \* Overall City property tax rate – the same tax rate has now been maintained for 10 years
- \* Addressing revenue shortfalls due to the COVID-19 pandemic
- \* Maintaining a strong General Fund balance - the ending balance in the proposed budget is 21.2% of General Fund expenditures, which more than meets the minimum fund balance of 16.7% in the General Fund Balance Policy
- \* Continuing the current level of services provided by General Fund departments
- \* Providing departments with the personnel resources and equipment needed to perform their department functions safely and efficiently.
- \* Addressing items in the new Strategic Plan.

# Impact of Residential, Commercial, and Industrial Property Rollbacks

- While the City property tax rate is proposed to remain at \$15.67209 for the upcoming year, the amount of property taxes paid by homeowners will increase due to the change in the State rollback factor for residential property which decreased from 55.0743% to 56.4094% (an increase of 2.43%) in 2021/2022.
- The impact the residential rollback change will have on a home valued at \$100,000 would be a \$21.00 increase in annual City taxes and for a \$150,000 home it would be a \$31.00 increase.
- Commercial and Industrial values were rolled back to 95% in 2014/2015 and further rolled back to 90% in 2015/2016. These properties will remain at the 90% rollback in 2020/2021. This will result in no change in property taxes with the same tax rate unless there would be valuation changes for these properties.
- Multi-Residential properties were previously included in commercial property and were rolled back to 90% in 2015/2016. They are now a separate property class which was rolled back to 86.25% in 2016/2017, to 82.50% in 2017/2018, to 78.75% in 2018/2019, to 75.00% in 2019/2020, to 71.25% for 2020/2021, and to 67.50% for 2021/2022. This will result in an \$88.00 tax reduction for a multi-residential property valued at \$150,000 compared to the previous year. The overall reduction from when these properties were valued at 100% is \$764 in annual city property taxes for a \$150,000 multi-residential property. Multi-residential properties will continue to be rolled back for the next two years until they are the same rollback as residential property.
- In effect, the property rollbacks shift the tax burden between the different classes of property. As planned under the 2013 State legislation, the rollbacks of commercial, industrial, and multi-residential properties shifted some of the tax burden from these categories of property to residential properties.

# FY 22 Budget and Beyond

- **Provisions in the General Fund Balance Policy provide that “except for extraordinary circumstances, unassigned fund balance should not be used to fund any portion of ongoing and routine operating expenditures of the City”.**
- **The policy then provides that: “Extraordinary circumstances can include significant revenue fluctuations (i.e. State legislative changes limiting property taxes, limiting automated traffic enforcement (ATE) use, etc.). In the event that use of unassigned fund balance is necessary to provide a short-term solution to maintaining essential services, the City will evaluate current and future economic conditions to evaluate the extent of expenditure reductions or revenue increases that would be needed to achieve day-to-day financial stability and restore the fund balance.”**
- **Having a strong General Fund balance and the Fund Balance Policy in place will allow time for staff and City Council to plan for how to address future revenue reductions if they occur.**

# **FY 22 Budget Review**

**In summary, as services and costs have continued to rise, as a team we have been able to maintain the City's tax rate and the level of services to our residents.**

**At this time, we would like to thank all staff members for their efforts in developing the proposed budget. This document could not have been completed without the dedication and hard work of each department director and their staff.**